AIEM tax applicable in the Canary Islands in 2014-2020

2014/0093(CNS) - 28/02/2019 - Follow-up document

In accordance with Article 2 of the Council Decision 377/2014/EU on the *Arbitrio sobre las Importaciones y Entregas de Mercancías en las islas Canarias* (AIEM) tax applicable in the Canary Islands, the Commission is required to present a report comprising an analysis of the economic and social aspects of the application of those special arrangements concerning the AIEM tax for the period from 1 July 2014 to the end of 2016.

The report noted that the special measures introduced by Council Decision 377/2014/EU of 12 June 2014 have positive effects on the economic and social environment of the Islands. The AIEM measures applied in the Canary Islands are necessary and proportionate to the objectives set by the Decision. The handicaps affecting the archipelago (notably remoteness, small size and fragmentation of the local market) are still present and result in additional costs, which are not overcompensated by the application of the allowed exemptions to specified AIEM products.

Despite the economic slowdown due to the financial crisis, it appears that the domestic economy started to recover as from 2014, also thanks to the positive effects of the AIEM measures. The report noted that the services sector, which accounts for the greatest share of the Canary Islands' economy, performed favourably from 2014 onwards.

The average rates applied to imports of products subject to the AIEM, with the exception of tobacco products, are approximately 7 % (7.1 % in 2016). This indicates that the average rates in the new period during which the AIEM is in force are, in general, similar to the average rates of the previous period (7.2%), and therefore there is no change in the burden imposed by this charge.

The local industry remains highly vulnerable and requires measures to safeguard a sector that is highly strategic, generates wealth and stability and has the capacity to ensure the supply of goods to the market in the event of problems with external supply.

Data presented in the mid-term report of the Canary Island is not sufficient to do a full analysis of the economic and social aspects, so the conclusion is partially based on the statements of the report, which cannot always be verified.

The Commission has not received any complaint on a possible negative impact of the AIEM measures on the functioning of the Internal Market. A possible reduction or elimination of the protection granted through the AIEM scheme could prove detrimental for the local industry and in general the economic and social development of the Canaries.

In the light of the above, the Commission concluded that the AIEM measures currently in place, in accordance with Council Decision 377/2014/EU of 12 June 2014, are still justified and proportionate. Furthermore, the Commission believes that no proposal to adapt the existing provisions of the Decision is required.